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# **The New Age of Hybridity and Clash of Norms: China, BRICS and Challenges of Global Governance in a Post-liberal International Order**

*This is the accepted version of the paper to be published in Alternatives: Global, Local, Political. This version of the publication may differ from the final published version.*

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## **Abstract**

This article sketches an analytical framework to account for new patterns of global governance. We characterize the emergent post-liberal international order as a new age of hybridity, which signifies that no overriding set of paradigms dominate global governance. Instead we have a complex web of competing norms, which creates new opportunities as well as major elements of instability, uncertainty and anxiety. In the age of hybridity, non-Western great powers (led by China) play an increasingly counter-hegemonic role in shaping new style multilateralism – ontologically fragmented, normatively inconsistent, and institutionally incoherent. We argue that *democracy paradox* constitutes the fundamental issue at stake in this new age of hybridity. On the one hand, global power transitions seem to enable ‘democratization of globalization’ by opening more space to the hitherto excluded non-Western states to make their voices heard. On the other hand, emerging pluralism in global governance is accompanied by the regression of liberal democracy and spread of illiberalism that enfeeble ‘globalization of democratization.’

**Keywords:** age of hybridity, post-liberal international order, BRICS, global financial crisis

## Introduction

A decade has elapsed since the onset of the global financial crisis. The crisis has brought about fundamental changes in global politics and economy. The stagnation in advanced democracies and the concomitant rise of non-Western great powers triggered an intense debate about the future of liberal international order (Acharya, 2018; Flockhart, 2016; Beeson and Li, 2015). The liberal institutionalist school suggests that liberal democracy and free market economy, which became enshrined in existing international order, will prevail despite certain governance problems and institutional discontents (Ikenberry 2018, 2011; Deudney and Ikenberry, 2018, pp. 18-19). Ikenberry (2018), for instance, claims that China's rise can be accommodated within the liberal multilateral framework since it does not have strong incentives to overturn the current system (also see Xinbo, 2018). Other scholars, on the contrary, argue that non-Western great powers such as Russia and China are already "shaping the lineaments of an alternative world order" (Sakwa, 2018; also see Sakwa, 2017) and investing in new governance models in defense of ideational and institutional pluralism and genuine multilateralism in international affairs (Flockhart, 2016; Acharya, 2018). The new emergent order, beyond the transformation of material distribution of power within international system, are built upon alternative conceptions of political representation, interest intermediation structures and developmental paradigms underpinning different forms of state-market relations (Bremmer, 2010; Kurlantzick, 2016; Acharya, 2017; McNally, 2012).

There appears a quasi-consensus among scholars from different theoretical traditions that the international order is shifting rapidly. However, the properties and potential outcomes of the ongoing transformations remain a matter of intense controversy. The objective of this article is to sketch an analytical framework to account for emergent patterns of global governance. We characterize the current stage of international order as a new 'age of hybridity' with no overriding set of paradigms predominantly shape global governance. Rather, we have a complex web of competing norms, which creates new opportunities as well as unprecedented challenges, generating major elements of instability, uncertainty and anxiety in international politics.

In this new age of hybridity, non-Western great powers (China in particular) play an increasingly counter-hegemonic role in shaping new style multilateralism – ontologically fragmented, normatively inconsistent and institutionally incoherent. Although China does not actively aim to export its illiberal model of economic development, also known as the Beijing Consensus (Ramo 2004, Yağcı 2016; Ambrosio, 2012, p. 395; Beeson and Li, 2015, p. 94), the luster of its political economy paradigm as an alternative to neoliberalism influences a growing number of countries thanks to China’s emphasis on flexibility, no strings attached policy and individual experimentation (Bremmer, 2010; Kurlantzick, 2016). The target states are increasingly trying to learn and replicate key features of Chinese model of authoritarian capitalism as a fundamental aspect of the Beijing Consensus (Bremmer, 2010, p. 6). John Williamson (2010, p. 1), who coined the term ‘Washington Consensus’, notes that “a major impact of the crisis has been to discredit Western views of development [...] and to fortify what has sometimes been referred to as the ‘Beijing consensus’ instead.” Further space has been opened for China, as the U.S. under Trump has adopted “America First” strategy forsaking its global leadership role by loosening its explicit commitment to the liberal foreign policy principles (Walt, 2018, p. 9). At the same time, however, given its present stage of development, China is neither capable nor willing to perform an alternative hegemonic role (Nölke, 2015; Laïdi, 2014). Hence, the age of hybridity is open to co-operation on key economic issues, but also prone to significant conflicts in the technological, political, and security realms. This article argues that core issue at stake in the age of hybridity appears to be *democracy paradox*. On the one hand, post-liberal era witnesses the ‘democratization of globalization’ by opening more space to hitherto excluded non-Western states in global governance. On the other hand, the emerging pluralist tendency at the global arena is not accompanied by ‘globalization of democracy’ at the state-level, which counterbalances the former trend.

This article is organized along the following lines. The rise of China and the challenge of the ‘Beijing Consensus’ are discussed in section 2. This is followed by a stylized comparison of Washington norms, dominated the previous phases of globalization and Beijing norms, which has become influential, if not predominant during the course of the previous decade. Section 4 discusses the emerging nature of fragmentation in the age of hybridity. We argue that processes of fragmentation, in a

multitude of different forms, have become a critical feature of the post-GFC era. Section 5 unpacks *democracy paradox* as key issue at stake in the age of hybridity. We first discuss the benign aspects of the age of hybridity, which is likely to democratize global governance in this new phase of globalization. This discussion is counterbalanced, however, in section 6 where we highlight the weaknesses associated with new forms of global governance in the post-GFC. The final section concludes the article.

### **The Rise of China and the Challenge of the Beijing Consensus**

The remarkable re-emergence of China to the position of a truly global power in recent years has attracted widespread international attention. China's phenomenal rise as a quasi-hegemonic actor involves the challenge of the 'Beijing Consensus.' The term, however, proves controversial (Li and Wang, 2014; Kennedy, 2010; Beeson and Li, 2015; Ambrosio, 2012). The rise of China presents a set of unconventional policy principles and opens up developmental space for many developing nations, whilst at the same time fundamentally challenges the established western-led neoliberal governance paradigm associated with 'the Washington Consensus,' and its augmented version 'the post-Washington Consensus' (Ban and Blyth, 2013; McNally, 2012).

Beijing Consensus can be defined as the projection of Chinese model of authoritarian capitalism, also referred as 'state capitalism', to global governance as an alternative to democratic capitalism (Nölke, ten Brink, Claar and May, 2015; McNally, 2018). The Chinese model of capitalism represents a distinct variety with its emphasis on state-permeated corporate relations, indicative industrial planning, strategic use of state fiscal resources and financial statecraft, and highly personalized network of capital accumulation (McNally, 2012, p. 744-5; Nölke, ten Brink, Claar and May, 2015, pp. 543-545). The rise of China and the growing challenge of the Beijing Consensus raise deep questions concerning the relationship between successful economic development and pluralist democracy. Although in its specific form the Chinese brand of capitalism differs from the experience of the East Asian developmental states, it still sits very much in the same tradition in respect of the active role of the state in promoting industrial transformation and shaping market dynamics along with geopolitical autonomy from the West (Breslin, 2011). That being said, Chinese model of strategic

capitalism is also different from the statist import-substitution industrialization strategies implemented in the developing countries during the 1960s and 1970s as it embraces open markets and integration with global economy (Nölke, ten Brink, Claar and May, 2015, pp. 543; also see Bresser-Pereira, 2011). It's important to emphasize, however, that China's openness to transnational investment is based on an active bargaining process with transnational companies "over the specific terms of market entry" with Chinese state's long-term strategic priorities to foster "home-grown technology and standards" (Strange, 2014, pp. 68-70). Therefore, as Strange (2014) documented, the "gated globalization" policies that Chinese government adheres to are essentially different from predominant liberal varieties of capitalism in terms of the organization of state-market relations, foreign trade and transnational investments.

China's state-permeated industrial transformation, underpinned by a stunning ten percent average annual growth over the last three decades, has given a benign face to the Beijing Consensus (Nathan, 2015; Foa, 2018). As a matter of fact, the rise of China has dramatically expanded the developmental space for many countries in the global South, effectively challenging the dominance of the North and Northern-dominated Bretton Woods institutions. Projects such as the Belt Road Initiative (BRI) and new institutions in which China plays an overriding role such as Shanghai Cooperation Organization, the New Developmental Bank and the Asian Infrastructure Investment Bank all carve out space for many other developing countries (see section 5). An especially attractive feature of the emerging Beijing Consensus is China's flexible understanding of conditionality, with references to a "no strings attached approach" being frequently used to describe the Chinese model (Li, Brødsgaard and Jacobsen, 2010, p. 304; Woods, 2008).

The Chinese success has lent credence to the notion that successful capitalist transformation can be accomplished in a highly authoritarian political environment. The Chinese model is thus particularly attractive not only to established autocratic regimes such as those in central Asia, but also to majoritarian ones with growing illiberal tendencies in the European periphery (Monck and Foa, 2018) such as the cases of Hungary and Turkey, where the political leadership looks explicitly to the Chinese example as an alternative to Western style of development (Öniş and Kutlay, 2019a; Öniş, 2017). For instance, Hungarian Prime Minister Viktor Orban explicitly

stated his ambition to “build an illiberal state” by pointing China and Russia as a source of emulation (The Budapest Beacon, 2014). Several Eastern European countries are now looking at Jinping’s China as new economic and political partner (Öniş and Kutlay 2019b). China is increasingly making its presence felt in wider Europe through its trade and investment linkages. According to Bloomberg data, “China has bought or invested in assets amounting to at least \$318 billion over the past 10 years [in Europe] – 45 percent more China-related activity than the U.S” (Tartar, Rojanasakul and Diamond 2018). The future development of China is therefore immensely important as a potential co-hegemonic power capable of projecting its role model capabilities through global reach of the Beijing Consensus.

The central question that arises at this point is whether China too will follow the typical East Asian pattern associated with the previous experiences of Japan, South Korea and Taiwan, namely, rapid industrial transformation that leads, over time, to political liberalization and eventual consolidation of a liberal democratic regime. The South Korean experience is particularly striking. In a similar fashion to present-day China, the early phase of the Korean model was associated with a highly centralized authoritarian regime (Öniş, 1991). Yet South Korea has gradually managed to break away from its authoritarian past. In economic terms, it has been one of the few countries, which have been able to overcome the middle-income trap. In terms of regime type, it has managed to consolidate liberal democracy thanks to regular rotations of power and strong political pluralism..<sup>1</sup> Will China follow the classic path of the original trio of the East Asian developmental states or will it deviate fundamentally from this original pattern? It’s obviously a huge question with dramatic implications for the future of the international order in a post-hegemonic age and the fortunes of liberal democracy on a global scale..<sup>2</sup> It is certainly possible – although not probable in the short run – that Chinese-style authoritarian capitalism would experience pressures for political liberalization due to social and economic difficulties associated with falling growth rates and rising income inequality that eventually unleash popular unrests (Snyder, 2017, pp. 82-83).

An alternative scenario, which seems more likely at present, is that the regime will prove to be highly resilient (Foa, 2018). If the Chinese government is able to accomplish reforms to maintain the momentum of economic growth, from which



large segments of society will benefit, it is highly likely to sustain its legitimacy and to prevent pressures for significant political liberalization. This scenario suggests that the Chinese model of authoritarian state capitalism has an in-built capacity to reproduce itself successfully over time. Which option is likely to prevail is of major scholarly interest not only in terms of its massive practical importance for China and its people but also – through the appeal of the Beijing Consensus in both its benign and malign forms – for political elites elsewhere increasingly looking at China as a key reference point for the pursuit of their own future development (Nathan, 2015).

### **A Prelude to the Age of Hybridity: Washington vs. Beijing Norms**

How does the rise of Chinese model of authoritarian capitalism inform the emergence of a new equilibrium in global governance? In this section we propose a three-stage periodization of contemporary globalization to contextualize some of the salient features of the new era, which call the ‘age of hybridity.’ In the post-GFC, China and BRICS emerge as increasingly important actors and contest the dominance of the U.S. and other core Western powers (Öniş, 2017; Öniş and Kutlay 2019b). What we increasingly observe is a world characterized by the absence of a hegemonic power upholding a “tight” international developmental regime (Babb and Chorev, 2016).

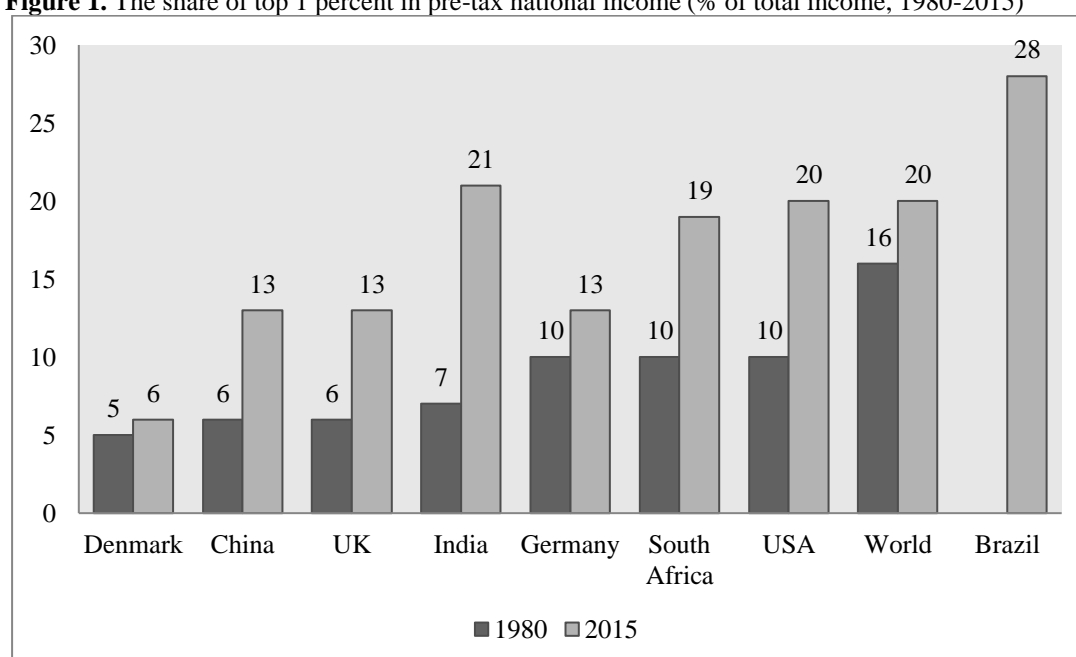
A key aspect of this new age, is the absence of a dominant set of norms, but competing ones, which co-exist and challenge one another. The clash of norms opens up new opportunities for more pluralistic patterns of globalization and carves out precious space for emerging countries. At the same time, on the other hand, it creates a new set of political and economic challenges. It is true that Beijing Consensus is a contested term in the literature. Kennedy (2010) argues that it is imbued with inconsistencies and misrepresentations that fall short of being a coherent model (also see Naughton, 2010). That being said, it poses an alternative to both original and augmented versions of neoliberal paradigm. The increase of Chinese influence and the emergence of alternative political economy paths in the post-GFC, therefore, deserve particular attention. This section juxtaposes three phases of contemporary globalization to better understand the distinctive features of the Beijing Consensus.

The first phase in our three-stage typology is ‘the age of Washington Consensus,’ which constituted the dominant paradigm during the 1980s and 1990s. Its central element was a strong belief in hyper-globalization policies and unfettered free markets to ensure sustained economic growth, which, in turn, would ‘trickle down’ and improve the welfare of wide segments of society (Williamson, 1990; for a critique see Rodrik, 2012). The key actors involved in promoting the key principles associated with neo-liberal economic policies such as trade liberalization, privatization, and financial deregulation were the key Bretton Woods institutions (the IMF and the World Bank) operating under U.S.-led international order (Stiglitz, 2002; Frieden, 2007). During the 1990s, the global North (U.S., western Europe and Japan) was in a solid position in terms of their economic credentials. The U.S. enjoyed a period of rapid economic growth in the 1990s, which continued up until the 2007 crisis. Despite 9/11 attacks and geopolitical uncertainties associated with the invasion of Afghanistan and Iraq, the U.S. economy managed to grow at 3.3 percent on an annual basis without any interruption.<sup>3</sup> The EU, the other key constituency of the liberal international order, appeared to be at the peak of its transformative capacity with its confidence boosted through a combination of ‘deepening’ – that is, the launch of single currency – and ‘enlargement’ – that is, admission of ten new members in 2004 (Leonard, 2005; Öniş and Kutlay 2019b). Japan found itself in a phase of relative stagnation; but this inertia occurred in an environment of high per capita income, which was the product of high growth accomplished in previous decades. In retrospect, the end of the cold war strengthened the confidence of the dominant liberal core, as alternative paradigms of state-market relations exhausted (Fukuyama, 1992).

In the age of Washington Consensus, the crises were predominantly associated with the global semi-periphery. A number of key emerging markets experienced subsequent shocks in a new era of financial globalization due to the unfettered short-term capital flows. Almost every year a major crisis occurred in one of the leading emerging markets (Turkey and Mexico, 1994; Argentina, 1995; the Asian financial crisis, 1997; Russia, 1998; Brazil, 1999; Turkey and Argentina, 2001) (Rodrik, 1997; Haggard, 2000; Öniş and Aysan, 2000; Wade and Veneroso, 1998). As a result, the single-minded neo-liberal paradigm came under serious challenge for two basic reasons. First, liberalization of capital accounts without adequate institutional and macroeconomic safeguards appeared to generate economic crises with devastating

consequences (Stiglitz, 1999; Crotty, 2009; Öniş and Şenses, 2005, p. 267-268). Second, the optimist views about distributive benefits of growth failed to materialize. The economic growth in countries encouraged to adopt neoliberal agenda remained sluggish throughout the 1980s and 1990s. For instance, Latin America, “which tried harder than any other part of the world to live by orthodox [Washington Consensus] rules,” experienced dismal economic performance with -0.8 percent annual average growth during 1980s and just one percent over 1990s (Rodrik, 2007, p. 6). Also, neo-liberal restructuring processes in several economies were associated with high degree of income inequality (see figure 1).

**Figure 1.** The share of top 1 percent in pre-tax national income (% of total income, 1980-2015)



**Source:** World Inequality Database, authors own figure.

**Note:** Data for Brazil available for 2015 only.

The 1997 Asian financial crisis, in this context, appeared to be a turning point that enabled fundamental questioning of neo-liberal principles and soul-searching in Bretton Woods institutions – the IMF and the World Bank (Stiglitz, 1999; Thirkell-White, 2005). This, in turn, led to the advent of a new paradigm in early 2000s, an augmented version of neo-liberalism, known as the Post-Washington Consensus (PWC).<sup>4</sup> The new PWC paradigm was based on two central pillars (Öniş and Şenses, 2005; also see Thirkell-White, 2005). The first element concerned the importance of strong macroprudential regulatory institutions supervising the financial sector. It became a conventional wisdom in the post-2000 that without robust regulatory agencies such as strong competition authority and bank regulatory agencies,

liberalization reforms would fail to generate the desired outcomes. The highly fragile growth path of many middle-income economies in the Washington Consensus era was based on “short-term and highly speculative inflows of capital” (Öniş and Şenses, 2005, p. 268).. The second element that became a discernible trend was emphasis put on social and distributional policies to even out income inequality and improve the living standards of lower income segments of the society without undermining budgetary discipline. In effect, PWC should be considered as an edited version of economic orthodoxy because commitment to key elements of the neo-liberal agenda such as trade liberalization, financialization and mass scale privatization continued to be the defining parameters in this new phase (see table 1).

**Table 1.** Three Phases of Financial Globalization and Crises

<b>1990s: The Age of Washington Consensus</b>	<b>2000s: The Age of Post-Washington Consensus</b>	<b>2010s: The Age of Hybridity</b>
<ul style="list-style-type: none"> <li>– Hyper globalization policies (Washington Consensus) advocated by Bretton Woods institutions</li> <li>– The expansion of neo-liberal globalization toward ex-Socialist states and China</li> <li>– Fast-burning crises predominantly in the “semi-periphery”; capitalist “core” (advanced western economies) remains robust.</li> <li>– US is experiencing rapid growth, continuing up to the 2008 global crisis; the EU’s transformative effect at its peak in the 1990s and the early 2000s.</li> </ul>	<ul style="list-style-type: none"> <li>– Managed globalization policies putting emphasis on regulatory institutions</li> <li>– Crises originate from the “core” in the later part of the decade - “semi-periphery” (BRICS and other key emerging regional powers) is quite robust</li> <li>– Continued growth in BRICS and near BRICS at a time of crises in US and Europe.</li> <li>– Stagnation and multiple-crisis in European integration project</li> </ul>	<ul style="list-style-type: none"> <li>– Mainstream liberal paradigm and new political economy paths coexist</li> <li>– Continued stagnation and weak growth in the “core”; weakening of economic performance in the “semi-periphery”</li> <li>– Return of a new wave of slow-burning crises in the emerging markets (Brazil, Russia, S. Africa, Turkey and Argentina); increased differentiation within both the “global North” and the “global South.”</li> <li>– U.S. doing better than EU, northern Europe doing better than Southern Europe, China and India doing better than other BRICS or near-BRICS; increased fragmentation across countries.</li> </ul>

**Source:** Authors’ compilation

From the early 1990s up until the GFC, there was an underlying continuity, which appeared to be quite robust. In spite of the growing challenge of China and other rising powers, the U.S. continued to occupy a central position in the global political economy. The transatlantic alliance also proved to be in strong shape. The G-7 remained the principal locus of global governance and emerging powers did not succeed to reform the voting quotas in key multilateral institutions. The IMF-World Bank nexus maintained a dominant position in global finance, in spite of growing criticisms and challenges. During the 2010s, however, we witnessed the making of a new era where underlying elements of the PWC were increasingly contested, but have not been entirely replaced (Beeson and Li, 2015). The key element that makes the 2010s striking is that, it is in many ways a more complex phase, compared to its predecessors: key elements of the PWC undergirding liberal international order continue, but, at the same time, seriously challenged by the rise of alternative political economy paradigms, first and foremost by Beijing Consensus, that clearly associated with the global power shifts towards a post-hegemonic international order. We now turn our attention to this third-phase of late globalization.

### **The Political Economy of post-GFC: Fragmentation in an Age of Hybridity**

A decade has elapsed since the inception of the GFC. This provides a sufficient time frame to evaluate some of the key features of the new phase of globalization – the age of hybridity. The two key terms, which we think are particularly relevant in describing the new era, are hybrid norms and fragmented governance. First, the new era is marked by the absence of a dominant and coherent paradigm advocated by a coherent core. Second, the nature of crises in this new third-phase displays a strikingly distinct pattern. In this sense, the political economy of the 2010s is characterized by patterns of fragmentation, which is visible in a multitude of ways in the liberal core and non-western political economies.

To start with the impact of growth has proved quite uneven in the U.S. There is strong evidence that top income groups have benefited disproportionately from the growth process, with large segments of the middle and lower-income groups being excluded from benefits of economic recovery. For instance, the top 1 percent income share rose

from 10 percent in 1980 to 20 percent in 2016. The bottom 50 percent income share, on the other hand, decreased from more than 20 percent to 13 percent (also see figure 1).<sup>5</sup> This has resulted in growing polarization that unleashed serious backlash on part of the ‘losers’ of neoliberal globalization, especially in the post-GFC. The Trump phenomenon in the U.S., for instance, is closely associated with the emerging patterns of income inequality. Despite post-war globalization has narrowed the income inequality gap between core and peripheral countries, as Milanovic (2016) documents, the inequality within the states, has been increased in a dramatic manner. The bottom 90 percent of the American population, for instance, did not receive their fair share from economic growth, since the increase of their incomes has constantly fallen behind per capita GDP growth over the last three decades, leading to populist backlash (Leonhardt, 2019).

Fragmentation has been a key feature of the post-crisis Europe as well. The Eurozone has been characterized by prolonged stagnation throughout the decade and overall recovery has been very slow to come, as the annual average growth in the Eurozone remained just 0.4 percent between 2009 and 2016.<sup>6</sup> Furthermore, the Eurozone debacle has magnified the traditional North-South divide in the EU. Whilst northern Europe has been more successful in economic terms (with strong growth in countries like Germany and Sweden), southern Europe been deeply affected. Greece, for instance, has been the principal loser with other southern European countries such as Italy, Spain and Portugal being deeply affected (Öniş and Kutlay 2019b, 10). The austerity programs implemented throughout the Eurozone have led to growing disparity between ‘core’ and ‘periphery’ that put the liberal ethos driving the entire European project in jeopardy. These dislocations, in turn, have underpinned a powerful wave of anti-systemic movements throughout Europe, who have effectively capitalized on the anxieties and concerns of citizens that have been adversely affected by Europe’s multiple crises. The EU’s illiberal peripheral actors, supported by outsiders, are increasingly challenging the supremacy of the liberal core and the normative foundation of the post-war integration project (Öniş and Kutlay 2019b). Processes involving internal fragmentation and polarization in core members of the liberal international order now pose a major challenge to both liberal democracy and rule-based multilateralism.

Turning to the emerging world, BRICS have become principal winners of the global financial crisis. As a matter of fact, the institutionalization of BRICS has proceeded at an unexpectedly rapid rate. China and BRICS have emerged as powerful actors in the global arena in the context of G-20 and South-South cooperation (Stuenkel, 2016; Kanet, 2018). Yet, as the decade unfolded, we observe a similar pattern of fragmentation within BRICS as well. China and India are the two major BRICS, which have been able to maintain high economic growth in recent years. The annual average annual growth in China and India (between 2009 and 2016) materialized at 8.3 and 7.4 percent, respectively. The economic performance of the three remaining BRICS, Russia (0.4 percent), Brazil (1.1 percent) and South Africa (1.6 percent), however, has been sluggish in the same period.<sup>7</sup> Brazil and South Africa, two important democratic BRICS, proved particularly disappointing. These two countries, not only experienced weak growth, but also significant political turmoil associated with massive corruption scandals (Phillips, Burke and Lewis, 2019). Therefore, uneven growth and institutional regression seems to be a feature of the non-Western world as well.

In this new hybrid era, crises also appear to have assumed a different form. We see a pattern involving the return of crises back to the semi-periphery during the course of the 2010s. However, countries are muddling through and managing to find their ways out of the crisis, without experiencing a major collapse and a subsequent recourse to a large-scale IMF austerity program. Brazil, South Africa, Turkey and Russia are all samples of countries, which have been struggling, but somehow managing to avoid the IMF surveillance. Argentina constitutes the only major case of an emerging market country in the global South, which has been at the center of the IMF attention throughout the decade that has managed to secure a large \$50 billion worth of loans from the IMF in return for a strict austerity program. Turkey, on the other hand, constitutes another interesting case. The country experienced a sharp currency crisis in late 2018. However, so far, Turkish policy-makers have managed to avoid the IMF (Daily Sabah, 2018). This pattern is certainly not unique to Turkey. Emerging powers, in general, increasingly enjoy more leeway in their relations with Bretton Woods institutions, and their bargaining leverage seems to increase as they forge new ties with China, Russia and other like-minded states.

At the global level, the most striking example of fragmentation is associated with the weakening of the transatlantic alliance, which has been the very basis of the liberal international order. The transatlantic core has suffered a big blow following the 2016 U.S. presidential elections. Trump's increasingly unilateralist foreign policy and his deep distrust of the core elements of liberal democracy and free market economy has generated a deep vacuum, given the fact that the EU alone, does not have material capabilities to protect liberal international order in the absence of the U.S. embedding its hegemonic might in transatlantic alliance. For the first time, in the words of European Council President Donald Tusk, "an American administration is not very enthusiastically tuned in to a united, strong Europe" (Hayden, 2018); whereas German leader Angela Merkel publicly stated that Europe can't rely "on the superpower of the U.S. anymore" (Gstalter, 2018). In that sense, Trump presidency has clearly helped to swing the pendulum in China's favor. China, in recent years under the Presidency of Xi Jinping has become as a more assertive power in terms of reflecting its governance model at the global level, as the U.S. under Trump has increasingly withdrawn from its leadership role.

The final decade in our three-stage analysis, the 2010s, therefore, can be decomposed into two distinct phases. The first phase, up until 2016, designates an interregnum during which the liberal core under the U.S. leadership managed to remain intact and presented relatively a coherent bloc against the rise of China and BRICS. Since 2016, however, the liberal core has experienced a process of fundamental fracturing, which has helped China to occupy a more central role in global governance. In a period that American political elites have lost commitment to free trade and rule-based multilateral co-operation to deal with fundamental problems multidimensional fragmentation becomes the defining trend in global governance. What we have is a new age of hybridity where co-existence of competing norms injects a high dose of instability, anxiety and unpredictability. What we observe, by the end of the 2010s, is arguably not the end of multilateralism *per se*, given the strong interdependence between advanced Western and emerging non-Western economies. What we may have instead, is different style multilateralism based on hybrid norms and institutional incoherence (see table 2). The growing role of China as a game shaper in this context has some fundamental ramifications regarding the way that multilateralism is likely to evolve. China will seek to promote more controlled approach to globalization, in line



with its underlying model of authoritarian capitalism. It is arguably more in the political rather than the economic arena that growing Chinese leadership is likely to make a deep impact on global political economy. Although China does not seem to actively export its authoritarian model of capitalism, this model is likely to become more attractive on a global scale, which brings *democracy paradox* to the fore in the new age of hybridity. The next sections unpack the two aspects of global governance to delineate the lineages of this intriguing phenomenon.

**Table 2.** A stylized comparison – Post-Washington Consensus vs. Beijing Consensus

	<b>Post-Washington Consensus</b>	<b>Beijing Consensus</b>
<b>Main paradigm</b>	<i>Open</i> globalization: emphasis on regulation in a broadly liberal, market oriented environment	<i>Selective</i> globalization: managed liberalization, public-private partnerships, regulation of finance capital
<b>Organization of state-market relations</b>	<b>Approaches to institution building</b>	
	Strong emphasis on the need to build an institutional basis for a well-functioning market economy, especially in the regulatory and social realms (this was a neglected feature of the WC). These reforms are promoted through conditionality practices. These institutions are seen as universally relevant, not unique to Western style of development.	Emphasis on flexibility, sovereignty and evolutionary change through experimentation and improvisation. Chinese developmental model is considered to be unique, and, hence not a model imposed on outsiders. This is seen as an alternative approach to the “West”, where allegedly there is a top-down imposition of own model on outside world. Associated with a more substantive role for the state coupled with a strong public enterprise component in a mixed economy framework.
	<b>Economic policies</b>	
	Policies are directly promoted through IMF, WB and EU conditionality; open trade (meaning ultimately free trade), liberal capital accounts regime; tight implementation of intellectual property rights; open door approach to FDI; privatization of public enterprises; tight budgetary framework, which also limits the ability to achieve large-scale redistribution in an essentially free-market oriented environment.	Open (if not free) trade; selective protectionism and intellectual property rights; selective open door approach to the TNCs/FDI through active bargaining on the terms of entry, selective state-led industrial policies; autonomous public enterprises; flexible approach to environmental protection; commitment to reduce poverty with direct emphasis on income inequality.

<b>Approaches to conditionality</b>	Based on tight conditionality; vertical top-down approach implemented through key financial institutions; the gap between rhetoric and reality may be less striking.	Based on the rhetoric of limited conditionality /no strings attached/ horizontal co-operation; in reality major initiatives by China may embody different forms of conditionality and create new forms of dependence.
<b>Role of key international organizations</b>	<i>Undergirding US-dominated liberal order:</i> Material and ideological dominance of the Bretton Woods institutions – the IMF, World Bank, and World Trade Organization	<i>Instruments of dual-track counter-hegemonic strategy:</i> (1) Reforming Bretton Woods institutions; (2) Forming new institutions – such as BRICS, Asian Infrastructure Investment Bank, Shanghai Cooperation Organisation, Belt Road Initiative.
<b>Approaches to democracy</b>	Democracy is seen as an ultimate objective, but not directly promoted. Governance reforms, institution building and emphasis on rule of law are emphasized – and constitute indirect mechanisms for influencing economic development on a more democratic path. The emphasis on governance reforms has been declining in recent years, suggesting a limited degree of convergence between the two paradigms. The weakening of liberal democracy in the West and the presence of Trump like leaders also tend to reduce the self-confidence of Bretton Woods institutions and their commitment to liberal democratic norms.	Neutral on regime type; emphasizes national sovereignty, however, engages in authoritarian promotion indirectly, by setting itself as a role model and providing financial assistance for illiberal and authoritarian regimes. Authoritarian promotion is also accomplished indirectly through supporting Russia, whose influence in the political regimes of many Western democracies is much more overt (i.e., election meddling, promotion of fake news). Furthermore regime has been becoming more authoritarian as China becomes more assertive globally and assumes a more sensitive posture to any criticisms from outside involving its domestic politics, which could be seen as a contributor to its strong indirect influence and authoritarian bias.

**Source:** Authors' compilation

## **The Benign Face of Global Governance: Democratization of Globalization?**

On the positive side, some features of the post-GFC global order are likely to contribute to the democratization of globalization process. Global governance has become, at least on the surface, more participatory and pluralistic. G-7 used to be the dominant forum in the pre-crisis era. In the new, post-crisis environment G-20 has replaced G-7 as the main platform of decision-making on key global governance issues. The growing importance of G-20 meant that new actors, notably key emerging powers, have become more assertive in the global arena (Payne, 2010; Wade, 2011). The non-Western powers pursue a “dual-track strategy” towards establishing a more pluralistic international order (Hurrell, 2018). First, these states are now better represented at existing international institutions, such as the IMF, the World Bank and the WTO, despite reforms fell short of expectations. Second, emerging powers are investing in a set of new governance institutions. BRICS summits, the New Development Bank, Shanghai Cooperation Organization, and the Asian Infrastructure Investment Bank constitute some vivid examples of new institutions and alliance structures, which are playing an increasingly critical role in a post-Western international order. Indeed, some of the new institutions emerging under the auspices of China and BRICS appear to be more inclusive in terms of their governance structures compared to the existing Western dominated institutions. We observe, for example, a pattern of rotating presidencies in G-20, BRICS, and the New Development Bank. In contrast, the presidential position at the World Bank continues to be a political appointee by the U.S., whilst a key European figure is typically appointed to the Executive Director position at the IMF. Given the fact that American-led post-war international order has been restrained to the West and limited in terms of geographical scope the dual track strategy of non-Western powers is likely to contribute to the democratization of globalization.

The rise of China and other major emerging powers have also created new opportunities and much-needed policy space for the developing world, presenting a powerful challenge to the monopoly of the key Bretton Woods institutions. The challenge of the Beijing Consensus implied a more flexible approach to governance in key areas such as trade, developmental aid, intellectual property rights, reform of public enterprises, currency reform, and environmental protectionism (Güven, 2018).

Low or middle-income countries benefit from the opportunities offered by the rise of China and other major non-Western powers. Seen this way, the key institutions of the previously dominant order appear to be more open to new ideas and practices, clearly reflecting the rise of China and the BRICS (Güven, 2017). There seems to be a growing rejection of one-size-fits-all principle and greater willingness to embrace a more flexible understanding of conditionality. The IMF, for instance, seems to be much more concerned with issues relating to pervasive income and wealth inequality. Similarly, by suggesting that “capital flow management measures can be useful”, it seems to develop some propensity to consider unconventional policies such as controls over short-term capital movements (IMF, 2012, p. 2).

On a final note, G-20 provided an institutional framework for coordinated action, which helped to facilitate the global economic recovery in the aftermath of the GFC. Without this kind of collective agenda of co-operation, the impact of the crisis could have been much worse. A comparison with the Great Depression of the 1930s, where this type of institutional co-operation was totally lacking, with its dire consequences, would be particularly striking in this context (Helleiner, 2010; Wolf, 2015; Tooze, 2018). Furthermore, one should not underestimate the extent of the progress in key governance areas, such as environmental protection and climate change, where there exist major clash of interests between global North and global South. The fact that there was agreement on the UN Summit on Environment in Paris where all the key actors displayed commitment to the key principles of the Paris Agreement signed in 2016, with the notable exception of the U.S., constitutes significant progress.

### **The Dark Side of Global Governance: Globalization of Illiberalism?**

There are a number of features of the emerging global order, which would challenge the broadly benign picture associated with democratization of globalization. To start with, the skeptics would make two quite distinct points: First, G-20, whilst being a broader entity compared to G-7, continues to be a club of powerful states, including both established and emerging powers. Yet this club fails to adequately represent the needs of a large group of developing states, which fall outside the orbit of G-20 (Payne, 2010). Second, and perhaps more striking element concerns the degree of representation within the G-20 itself. Is G-20 increasingly dominated by two

superpowers, the U.S. and China – the so called ‘G2’ or ‘Chimerica’ (Beeson and Li, 2015, pp. 99-100), where many of the key states such as the European countries or other regional powers find themselves in the position of passive followers rather than key decision-making actors in an increasingly bi-polar global order?

This point is also relevant to the discussions relating to the future of BRICS. Whether BRICS would evolve into a broad-based horizontal coalition of like-minded states in promoting a multi-order world or whether China’s dominance within BRICS grouping would shape the main parameters of post-liberal international order is still unclear. We know that Chinese leadership is interested in BRICS enlargement through “BRICS plus model,” as the BRICS summit held in Johannesburg in July 2018 clearly testify (also see, Xinhua, 2017). Representatives from a number of emerging powers have been invited as observers and countries like Turkey may opt to join if opportunities arise in the future. The key question, however, is even if BRICS enlargement takes place, are we likely to observe a European style core-periphery structure (China-Russia axis similar to the Franco-German axis versus other BRICS similar to the Eastern periphery in the EU). There is no doubt that this kind of vertical restructuring of the BRICS, even if it were to emerge, are likely to generate significant resistance and further frictions within the already heterogeneous group (Nölke et al 2019; Casanova and Kassum, 2014). For instance, India has been rather uncomfortable with China’s growing hegemonic position in Asia and displayed a significant degree of skepticism regarding the BRI. Similarly, Brazil has been rather concerned about China’s growing power and influence in Latin America. Also, one may question the robustness of the China-Russia alliance given the economic and geopolitical asymmetries and Russia’s concerns about increasing Chinese dominance in the post-Soviet space, especially in relation to the oil rich central Asian republics, which Moscow considers its immediate sphere of interest.

The main feature of the age of hybridity involves the presence of intense geo-political rivalries between powerful states, constituting a serious challenge to international co-operation. The recent Syrian crisis offers a strong testimony to the strong come back of geopolitical conflicts and proxy wars. The international community failed to respond to the one of the major human tragedies of our age, due to conflicting interests on part of the key states involved. Arguably, we find ourselves in a fragile

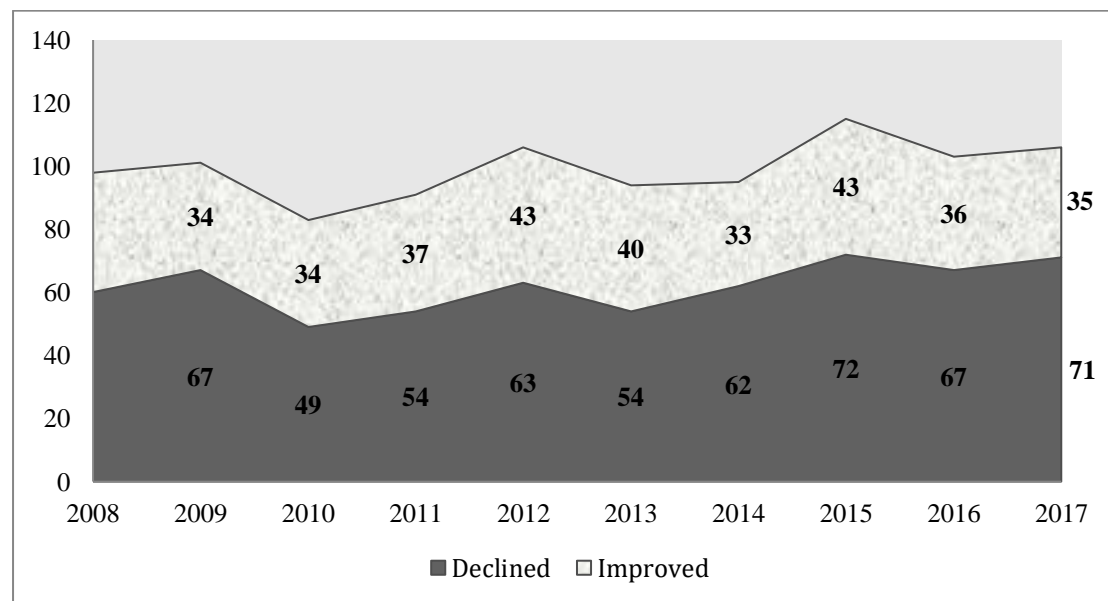
equilibrium rife with inter-state conflicts and rivalries, rather reminiscent of the conflict-ridden international system of the inter-war era. This kind of environment not only weakens the impulse to reinforce rule-based co-operation but also contributes to growing insecurity and uncertainty itself, as powerful states are likely to invest in armament and military aggrandizement. This picture is very much in line with our notion of fragmented multilateralism, which embodies elements of transactionalist co-operation and frequent discord simultaneously.

What we observe in the post-GFC world is the proliferation of flexible, intergovernmental and loosely institutionalized network organizations (Cooper and Farooq, 2013). In G-20 or similar style BRICS summits a pattern of decision-making emerges that is dominated by a process of individualized interaction between powerful leaders of key states, which tends to weaken multilateral governance institutions. The strongmen in several states tend to distrust and increasingly by-pass international institutions. This tendency has been particularly striking in the case of Trump administration, where the president has displayed considerable skepticism not only towards domestic institutional check and balances, but also to key international institutions. The power and influence of the UN in particular, appears to have declined dramatically at a time when it is most needed to tackle truly global problem ranging from counter-terrorism, irregular migration and transnationalized civil wars. The growing dominance of informal governance in key international settings such as the annual G-20 meetings and BRICS summits points towards fundamental democratic deficits in the context of global practice. At a rather superficial level, the transition from G-7 to G-20 signifies a process of democratizing globalization, through a more pluralistic global order. At a more fundamental level, however, major questions are raised about the democratic credentials of a process of informal deliberation, which takes place through the interaction between strongmen regimes, lacking transparency and accountability.

The key argument of this article is that we need to explore the domestic sources of this emergent fragmentation in global governance as well, which brings democracy paradox to the fore: The post-GFC political-economic developments undergirding democratization of globalization have not been accompanied with the expansion of pluralist political regimes across the world. On the contrary, the resilience of illiberal

regimes in different forms and the breakdown of democracies in several countries enfeebled benign expectations about the spread of liberal democracy (Foa, 2018; Levitsky and Way 2010). In the post-GFC equilibrium, where democratic efficacy recedes, authoritarian models of capitalism pose a fundamental challenge to democratic capitalism. All recent indicators point to the expansion of illiberal regimes.<sup>8</sup> For instance, the countries rated “not free” (Freedom House’s lowest category) made up 12 percent of global income in 1990. This ratio skyrocketed to 33 percent today, “matching the level they achieved in the early 1930s, during the rise of fascism in Europe, and surpassing the heights they reached in the Cold War when Soviet power was at its apex” (Mounk and Foa 2018, p. 30). Also, the share of “not free” countries increased from 22.3 percent to 25.1 percent over the last decade (Freedom House, 2018). As figure 2 shows, in the post-2009, the number of countries with net declines in freedom scores doubled those that experienced net improvement. The rise of illiberal strongman regimes poses fundamental questions about the democratic nature of the key decision-making processes.

**Figure 2.** Number of countries with net declines in freedom scores



**Source:** Freedom House, 2018.

Democracy paradox, as formulated in this article, has two interrelated dimensions. The pre-GFC phase of US-led liberal international order underpinned by profound inequalities, hierarchical approach to emerging powers, and limited opportunities for states from the global South to be represented on an equal footing at key global



governance institutions (Acharya, 2018; Payne, 2010). As Acharya (2017, p. 271) puts it liberal international order was “hardly benign for many countries in the developing world, [therefore] it should be seen as a limited international order, rather than an inclusive global order.” From a domestic point of view, however, “uncontested supremacy of the United States in the last two decades spurred a robust wave of democratization” (Boix 2011, 827; also see Fukuyama, 1992). The share of “free” countries, for instance, increased from 42.4 to 46.6 percent in a decade just before the GFC. The number of “not free” countries, on the other hand, decreased to 22.3 percent in 2007 from 27.2 percent in 1997 (Freedom House, 2018).<sup>9</sup> The “near-universal” appeal of liberal democracy even led some scholars to describe it as a “world value” in global politics (McFaul, 2004, p. 148).

The emergent hybrid international system and fragmented multilateralism, therefore, is closely associated with domestic political developments toward a variety of illiberal regimes. Although it is beyond the scope of this article to demonstrate the exact causal relationship between these two interrelated trends, *democracy paradox* constitutes a key but under-explored aspect of the age of hybridity. That being said, the spread of illiberalism in the post-GFC era is not a straightforward process reflecting a linear path. In several countries, China’s increasing influence is received with skepticism and even with resistance. Africa is an illustrative case in point. Ambrosio (2012, p. 394) notes that the attractiveness of China in the African continent as an investment and trade partner should not be conflated with its appeal as a “model of economic and political development.” The African policy-makers are “turning to China primarily for its ‘no strings’ investment and trade policies [...] rather than the Chinese political-economic model” (Ambrosio, 2012, p. 394). The massive infrastructure projects as part of China’s \$1 trillion BRI – Beijing’s grand geo-economic strategy of revitalizing historic trading routes between Asia and Europe – are now under fire due to the growing concerns that it gives way to “depth-trap diplomacy” (Chellaney, 2017). It is estimated that China loaned “some \$143bn to African governments and state-owned enterprises between 2000 and 2017” (quoted in Strauss, 2018). In effect, China’s investments in strategic sectors and regions lead to accumulation of huge amounts of debts in some of the target countries, pushing them in a debt spiral (Strauss, 2018). China’s reception in the global South therefore seems

to be mixed, reflecting both opportunities and new forms of dependence, which is very much in line with the main characteristics of the age of hybridity.

## **Conclusion**

The global financial crisis has undermined the very foundations of the liberal international order in which the U.S. embedded its hegemony. However, the liberal order has not been replaced. What we observe is a new era of competing norms in an increasingly post-liberal and post-Western world. The rise of China and the Beijing Consensus is likely to play a constitutive role in this emerging system, with profound economic and political ramifications – especially given the fact that recent developments cast doubt on “China’s peaceful rise commitment” (Zeng, 2017). China’s influence is especially on the rise following the American retreat during the Trump presidency. China, under the leadership of Jinping, has become more authoritarian at home and more assertive in the international arena.

The growing role of China and BRICS will not mean the end of multilateralism, but different style multilateralism. Powerful states, both advanced industrialized economies of the global North and the emerging powers of the global South are deeply interdependent and have fundamental economic and security interests, which will create incentives for multidimensional co-operation. However, co-operation will take place in the midst of significant frictions, as the recent trade and technology wars constitute part and parcel of geo-economic rifts (The Economist, 2018). In the incoming age of hybridity, we may increasingly observe the emergence of a fragmented multilateral order based on principles of flexibility and sovereignty as opposed to a tight rule-based multilateralism informed by normative coherence and institutional complementary.

A central question to ask in this context is whether the Beijing Consensus would be synonymous with ‘BRICS Consensus.’ Our major contention is that BRICS, as a winner of the GFC have become more important actors over the course of the decade despite significant challenges they encounter in their domestic affairs. All major BRICS are in key respects share the Chinese agenda of challenging exclusive nature of liberal international order constituted under American/Western dominance. They

want to contribute to a multipolar world and new style multilateralism based on the principles of flexibility and sovereignty. Hence, there are valid grounds for equating Beijing Consensus with the BRICS Consensus, with the qualification that major BRICS, India in particular, has different concerns about China's rise. Seen this way, there is a striking difference in terms of prevalent norms between the more authoritarian members of the club – China and Russia – and democratic BRICS – India, Brazil, and South Africa (Öniş and Gençer 2018). Arguably, however, the difference between the authoritarian and democratic BRICS has been significantly blurred in recent years. The democratic BRICS, Brazil, India, and South Africa, have been experiencing serious political and economic crises at home, which severely undermine the role model capabilities of these countries. The weakening of their democratic credentials would suggest that these countries are likely to put economic and security interests at the forefront of their foreign policies. The emerging trend within BRICS implies that Chinese authoritarian capitalism and expansion of illiberalism constitute a major challenge as part of the democracy paradox in the current era.

In conclusion, the weakening of liberal international order and the rise of authoritarian capitalism operate as mutually reinforcing processes. The waning of pluralist regimes in the heartland of liberal democracy and growing influence of authoritarian capitalism has implications for patterns of global governance. The new international order appears to be superficially more pluralistic compared to pre-GFC global governance regime. At the same, global governance is characterized by fundamental democratic deficits, very much in line with the weakening of democratic systems in their domestic spheres. The contest is increasingly between authoritarian capitalism versus flawed democracies – with its northern and southern varieties. Whether flawed democracies will have the capacity to reform their institutional structures constitutes a major challenge for the emerging trends in a post-hegemonic international order.

## Notes

- <sup>1</sup> Indeed, the way that the country has been able to deal with its recent corruption scandal constitutes a clear testimony to the strength of democratic institutions in the contemporary South Korean setting. BBC, “South Korea's Presidential Scandal”, available at: <http://www.bbc.co.uk/news/world-asia-37971085> (last visited on 6 December 2018).
- <sup>2</sup> For an in-depth analysis of state-market relations in China, see Kurlantzick (2016).
- <sup>3</sup> The data is retrieved from World Bank database.
- <sup>4</sup> World Bank was faster than the IMF in terms of self-evaluation and intra-organizational critique. The oft-cited and widely debated World Bank report that underlined the importance of regulatory institutions and state's steering role, for instance, published in 1997. See World Bank (1997).
- <sup>5</sup> Data retrieved from World Inequality Database, <https://wid.world/data/>.
- <sup>6</sup> Data retrieved from United Nations, *World Economic Situation*, 2018, [https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/WESP2018\\_Full\\_Web-1.pdf](https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/WESP2018_Full_Web-1.pdf) (last accessed on 1 January 2019).
- <sup>7</sup> Ibid.
- <sup>8</sup> We define illiberal regimes “as a broad-based ideology and worldview that embodies a spectrum of hybrid regimes ranging from electoral democracy to full authoritarianism” (Öniş and Kutlay 2019b, 2). For an early discussion on illiberal democracy, see Zakaria (1997).

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